

PUBLIC DISCLOSURE

JULY 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CREDIT UNION OF THE BERKSHIRES

744 WILLIAMS STREET
PITTSFIELD, MA 01201

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CREDIT UNION OF THE BERKSHIRES** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " Satisfactory "

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 50.4 percent and meets the standards for satisfactory performance at this time.

An analysis of the credit union's lending activity by borrower income revealed that 16.2 percent of the number of home equity loans and 53.1 percent of the number of consumer loans were granted to low and moderate-income borrowers. The credit union was found to meet the standards for satisfactory performance under this criterion.

The credit union's fair lending performance is considered to meet the standards for satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Credit Union of the Berkshires is an industrial credit union chartered by the Commonwealth of Massachusetts in 1939. The credit union was established to serve the credit needs of the individuals employed in education or public service within Berkshire County. The credit union, formerly named County Schools Credit Union was renamed on January 1, 2002, Credit Union of the Berkshires. The credit union's sole office is located at 744 Williams Street, Pittsfield, Massachusetts. Office hours are Monday through Friday 8:30AM to 5:00PM and Saturday 8:30AM to 12:00PM. The credit union's hours are considered convenient and accessible to its members.

As of June 30, 2003, the institution's total assets were \$20.2 million, with total loans in the amount of \$7.8 million, representing 38.8 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the June 30, 2003 NCUA Call Report of Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	AMOUNT (\$000)	%
Used Vehicle	2,302	29.6
New Vehicle	1,365	17.6
Total Vehicle	3,667	47.2%
Home Equity	2,869	36.9
Personal Loans	648	8.3
Other loans	579	7.6
TOTALS	\$7,763	100

The majority of the credit union's loan portfolio involves new and used vehicle loans, which represent \$3,667,000, or 47.2 percent of all loans. Home Equity Loans comprise 36.9 percent, while Personal Loans represent 8.3 percent. Other loans make up the remainder of the portfolio representing 7.6 percent of the dollar volume of loans outstanding. The credit union does not offer residential mortgages.

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments. The credit union has no Automated Teller Machines (ATMs), however; ATM cards are available through the SUM Network where transactions are surcharge-free and also the ATM cards are connected to all the major national ATM networks. The credit union offers its members a VISA- related debit card and also offers fee-free traveler's checks. In addition, members have 24-hour account access via telephone.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies, and community banks. Given its asset size and financial capacity, Credit Union of the Berkshires has been successful in helping to meet the credit needs of its membership.

The Division of Banks last conducted a CRA examination on September 27, 1999, which resulted in the Credit Union of the Berkshires receiving a “Satisfactory” CRA rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution’s record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation, 209 CMR 46.41(8), a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Credit Union of the Berkshires, as an industrial credit union whose membership is based upon affiliation rather than geography, has elected to identify its assessment area in this manner.

Credit Union of the Berkshire’s by-laws state: “Membership in the Credit Union of the Berkshires shall include individuals who are current or former employees of an established school located in Berkshire County, a public educational system located in Berkshire County, municipalities located in Berkshire County or County Schools’ Credit Union. Membership shall also include current or former employees of the State of Massachusetts or Federal Government who live or work in Berkshire County. Spouses, children, brothers, sisters, parents, grandparents, grandchildren, fathers-in-law, mothers-in-law, sons-in-law, daughters-in-law, brothers-in-law or sisters-in-law of members are also eligible.”

Credit Union of the Berkshires has 2,500 current members.

PERFORMANCE CRITERIA

1. AVERAGE LOAN TO DEPOSIT (SHARE) RATIO

The first criterion evaluated is the credit union's average net loan to total share ratio. A review of Credit Union of the Berkshire's net loan to share ratios for the period December 31, 2001, through June 30, 2003, was conducted during this examination. The average net loan to total share ratio over the period was determined to be 50.4 percent and is considered to meet the standard for satisfactory performance. Refer to the table below for more details.

LOAN TO SHARE ANALYSIS			
Period	Net Loans(\$000)	Shares(\$000)	Ratio
December-01	8,609,584.00	14,714,321.00	58.5%
June-02	8,300,809.00	15,969,291.00	52.0%
December-02	8,027,108.00	16,590,296.00	48.4%
June-03	7,720,569.00	18,178,715.00	42.5%

NCUA 5300 Call Report 6/30/03

The above table indicates that the credit union experienced a steady decrease in loans during the examination period. Share balances, on the other hand, have exhibited a relatively steady increase from \$14.7 million to \$18.2 million, an increase of \$3.5 million during the period examined. Consequently, loan to share ratios fell from 58.5 percent as of December 2001 to 42.5 percent as of June 2003. Management stated that the decrease was due in large part to the repayment of debt through mortgage refinancing, given the current low interest rate climate.

The following table provides net loan to share ratios for other industrial credit unions located within Western Massachusetts with similar asset sizes. The ratios shown are calculated from NCUA Call Reports of Condition as of December 31, 2002.

COMPARATIVE LOAN TO DEPOSIT RATIOS DECEMBER 31, 2002	
Fitchburg M E CU	72.7%
Credit Union of the Berkshires	48.4%
West Springfield M E FCU	35.0%
Agawam CU	27.3%

NCUA 5300 Call Report 12/31/02

The credit union's loan-to-share ratio is reasonable in comparison to the other institutions as shown in the above table.

Based on the average loan-to-share ratio of 50.4 percent and the credit union's adequate standing in comparison to other similarly situated credit unions with similar asset sizes, Credit Union of the Berkshires has demonstrated a willingness to lend to its membership. Thus, its loan-to-share ratio meets the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The second performance criterion evaluates the extent to which the institution lends to borrowers of different income levels, particularly borrowers of low and moderate income. Home equity and consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to meet standards for a satisfactory performance.

The income level of borrowers was reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the members resides to determine borrower income levels. By definition, low income is considered to be income below 50 percent of median income, moderate-income between 50 percent and 79 percent of median income, middle-income between 80 and 119 percent of median income and upper-income at 120 percent or more of median income.

The credit union's member base is substantially diverse when considering location of residences. Because the majority of the credit union members reside within the Pittsfield area, the Pittsfield MSA Median FHI was utilized. The FHI are \$49,600, \$54,000, and \$56,000 for 2001, 2002, and 2003 respectively.

Home Equity Lending

Home Equity Lending (open and closed end) granted in 2001, 2002 and YTD July 21, 2003 was sampled and reviewed for borrower income levels. Credit Union of the Berkshires originated 51 home equity loans totaling \$1,326,977 in 2001, 7 home equity loans totaling \$314,000 in 2002, and 3 home equity loans totaling \$137,000 YTD June 30, 2003. A sample of 30 loans totaling \$1,205,000 was taken to represent home equity lending for the current examination period.

The following table provides a breakdown of the distribution of loans among the credit union's membership by applicant income level. As indicated, 16.7 percent of the loans were granted to low- and moderate-income borrowers, while the greatest percentage or 53.3 percent was granted to upper-income members. Nine loans or 30.0 percent were granted to borrowers of middle income.

Home Equity Originations by Income of Borrower by Number

% of Median MSA Income	2001		2002		YTD 6/30/03		Total	
	#	%	#	%	#	%	#	%
<50%	1	5.0	2	28.6	0	0.0	3	10.0
50% - 79%	1	5.0	0	0.0	1	33.4	2	6.7
80% - 119%	6	30.0	2	28.6	1	33.3	9	30.0
120% >	12	60.0	3	42.8	1	33.3	16	53.3
Total	0	100%	7	100%	3	100%	30	100%

Source: In-House Files

The table below indicates that, by dollar amount, 13.5 percent of the home equity loans was made to low- and moderate-income borrowers, 56.3 percent to upper-income members, and 30.2 percent to members of middle income.

Home Equity Originations by Income of Borrower by Dollar Amount

% of Median MSA Income	2001		2002		YTD 6/30/03		Total	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	50	6.7	70	22.4	0	0.0	120	10.0
50% - 79%	25	3.3	0	0.0	17	12.4	42	3.5
80% - 119%	184	24.4	100	31.8	80	58.4	364	30.2
120% >	495	65.6	144	45.8	40	29.2	679	56.3
Total	754	100%	314	100%	137	100%	1,205	100%

Source: In-House Files

Consumer Lending

Consumer loans granted in 2001, 2002 and YTD June 30, 2003 were sampled and reviewed for borrower income levels. Credit Union of the Berkshires originated 435 consumer loans totaling \$3,681,072 in 2001, 405 consumer loans totaling \$2,975,854 in 2002, and 176 consumer loans totaling \$1,455,249 YTD June 30, 2003. A sample of 81 loans totaling \$629,000 was taken to represent consumer lending for the current examination period.

The following table provides a breakdown of the sample of 81 consumer loans originated among the credit union's membership by applicant income level. This analysis indicates that the majority, or 53.1 percent of the loans, was granted to low- and moderate-income members, while 27.2 percent was granted to middle-income members and 19.7 percent to members of upper income.

Consumer Loan Originations by Income of Borrower by Number

% of Median MSA Income	2001		2002		YTD 6/30/03		Total	
	#	%	#	%	#	%	#	%
<50%	9	30.0	7	23.3	5	23.8	21	25.9
50% - 79%	8	26.7	8	26.7	6	28.6	22	27.2
80% - 119%	6	20.0	11	36.7	5	23.8	22	27.2
120% >	7	23.3	4	13.3	5	23.8	16	19.7
Total	30	100%	30	100%	21	100%	81	100%

Source: In-House Files

The table below indicates that, by dollar amount, 42.1 percent of the sample of consumer loans were to low- and moderate-income members, 31.0 percent to upper-income members, and 26.9 percent to members of middle income.

Consumer Loan Originations by Income of Borrower by Dollar Amount

% of Median MSA Income	2001		2002		YTD 6/30/03		Total	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	63	26.5	64	28.7	13	7.8	140	22.2
50% - 79%	65	27.3	25	11.2	35	20.8	125	19.9
80% - 119%	42	17.6	85	38.1	42	25.0	169	26.9
120% >	68	28.6	49	22.0	78	46.4	195	31.0
Total	238	100%	223	100%	168	100%	629	100%

Source: In-House Files

The credit union's lending has penetrated all income categories of its membership. It should be noted that the majority of the consumer loans are granted to single applicants. However, the comparison of income is made to median family income, which may have the tendency of slightly overstating the number of borrowers falling in low or moderate-income categories. Nevertheless the credit union has achieved a good distribution of loans among applicants of all incomes.

In conclusion, the distribution of loans by borrower income levels demonstrates the credit union's efforts to return credit to depositors. Therefore, the credit union's performance under this criterion meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

A review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy. The credit union's staff training is adequate. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing a notice of denial.

The credit union's marketing activity includes placing information on its credit products and services within the various offices in local government and educational facilities within Berkshire County. The credit union includes statement stuffers in correspondence sent out to the membership and brochures are located in the credit union's lobby. The credit union also considers those members who are no longer current employees or retirees by sending them information related to banking and credit services.

The criterion for the various types of credit offered, as well as the procedures for completing a loan application were reviewed during the examination. No practices intended to discourage applications were found.

Based on the foregoing information, particularly the credit union's proactive stance in addressing the credit needs of its entire membership, the credit union is found to meet the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CREDIT UNION OF THE BERKSHIRES

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JULY 21, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.